

Fiscal Policy vs. Monetary Policy

For each of the following scenarios, describe the type of policy by placing in the blank:

EM for Expansionary Monetary policy

CM for Contractionary Monetary policy

EF for Expansionary Fiscal policy

CF for Contractionary Fiscal policy

1. _____ The Fed decides to increase the reserve requirement ratio.
2. _____ Congress decides to increase the income tax rate for the wealthiest 1%. (wishful thinking).
3. _____ A new program is started to secure all national highway bridges.
4. _____ The FOMC decides to sell U.S. Treasury Securities.
5. _____ The government adds a new tax on any purchase more than \$100,000.
6. _____ The Fed increases the Discount Rate.

Answers:

CM	CF	EF	CM	CF	CM
1:	2:	3:	4:	5:	6: